

**HOUSING AUTHORITY OF THE TOWN OF RAYVILLE**  
**REPORT ON EXAMINATION OF**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA**  
**TWELVE MONTHS ENDED SEPTEMBER 30, 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6/8/05

**Mike Estes, P.C.**  
A Professional Accounting Corporation

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**TWELVE MONTHS ENDED SEPTEMBER 30, 2004**

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**Independent Auditor's Report**

Board of Commissioners  
Housing Authority of Rayville  
Rayville, Louisiana

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of Rayville, Louisiana as of and for the year ended September 30, 2004, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Rayville, Louisiana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of Rayville, Louisiana, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. This results in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2005, on our consideration of the Housing Authority of Rayville, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of Rayville, Louisiana's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and other supplementary information is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Housing Authority of Rayville, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying Financial Data Schedules required by HUD are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mike Estes, P.C.  
Fort Worth, Texas  
January 12, 2005

## **Housing Authority of the Town of Rayville, Louisiana**

### **Management's Discussion and Analysis (MD & A)**

**September 30, 2004**

Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their *Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999.

Our discussion and analysis of the Housing Authority of the Town of Rayville, Louisiana, financial performance provides an overview of the Housing Authority's financial activities for the fiscal year ended September 30, 2004. Please read the MD&A in conjunction with the Housing Authority's financial statements.

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

#### **Financial Highlights**

The Housing Authority utilized the capital grant programs provided by HUD to increase assets by \$115,072. Total assets increased from \$3,002,344 at September 30, 2003, to \$3,117,416 at September 30, 2004. This was accomplished with very little change in total liabilities.

Total revenue increased from \$705,506 for the year ended September 30, 2003, to \$905,150 for the year ended September 30, 2004, an increase of \$199,644. As with assets, most of this increase in revenue is attributed to amounts earned under HUD's capital grant programs.

Expenses for the current year, excluding depreciation expense and casualty losses, increased 5.69% or \$34,420 over the year ended September 30, 2003. Changes in certain expenses are more fully discussed in the section below identified as "Financial Analysis".

#### **Overview of the Financial Statements**

This annual report includes this Management Discussion and Analysis report, the Basic Financial Statements and the Notes to the Financial Statements. This annual report also contains the Financial Data Schedule (FDS) as referenced in the section of Supplemental Information Required by HUD. The Housing Authority's financial statements are presented as fund level financial statements because the Housing Authority only has proprietary funds.

## **Housing Authority of the Town of Rayville, Louisiana**

### **Management's Discussion and Analysis (MD & A)**

**September 30, 2004**

The financial statements of the Housing Authority report information of the Housing Authority using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about the Housing Authority's activities. The Statement of Net Assets includes all the Housing Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to the Housing Authority's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Housing Authority and assessing the liquidity and financial flexibility of the Housing Authority.

All of the current year's revenues and expenses are accounted for in the Statement of Changes in Net Assets. This statement measures the success of the Housing Authority's operations over the past year and can be used to determine whether the Housing Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The section Supplemental Information Required by HUD contains the Financial Data Schedule (FDS). HUD has established Uniform Financial Reporting Standards that require the Housing Authority to submit financial information electronically to HUD using the FDS format. This financial information has been electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended September 30, 2004.

### **Financial Analysis**

The Housing Authority's basic financial statements are the Statement of Net Assets and the Statement of Changes in Net Assets. The Statement of Net Assets provides a summary of the Housing Authority's assets and liabilities as of the close of business on September 30, 2004. The Statement of Changes in Net Assets summarizes the revenues and sources of those revenues generated during the year ended September 30, 2004 and the expenses incurred in operating the Housing Authority for the year ended September 30, 2004.

## **Housing Authority of the Town of Rayville, Louisiana**

### **Management's Discussion and Analysis (MD & A)**

**September 30, 2004**

The Housing Authority accounts for its public housing activities in three related programs. The Housing Authority has a low rent program and a section 8 new construction program that provide housing for qualified tenants and a capital fund program that the Housing Authority uses for improvements to its low rent property. Our analysis below focuses on the net assets and the change in net assets of the Housing Authority as a whole and not the individual programs.

### **Net Assets Rayville, Louisiana September 30, 2004**

|  | 2004               | 2003               | <u>Increase<br/>Decrease</u> |
|--|--------------------|--------------------|------------------------------|
| Current Assets, Net of Intra-program               | \$193,261          | \$214,880          | \$(21,619)                   |
| Fixed Assets, Net                                  | <u>2,924,155</u>   | <u>2,787,464</u>   | <u>136,691</u>               |
| Total Assets                                       | <u>\$3,117,416</u> | <u>\$3,002,344</u> | <u>\$115,072</u>             |
| Current Liabilities, Net of Intra-program          | \$31,856           | \$33,610           | \$(1,754)                    |
| Non-Current Liabilities                            | <u>16,129</u>      | <u>14,459</u>      | <u>1,670</u>                 |
| Total Liabilities                                  | <u>\$47,985</u>    | <u>\$48,069</u>    | <u>\$(84)</u>                |
| Net Assets:  |                    |                    |                              |
| Invested in Capital Assets, Net<br>Of Related Debt | \$2,924,155        | \$2,787,464        | \$136,691                    |
| Unrestricted Assets                                | <u>145,276</u>     | <u>166,811</u>     | <u>(21,535)</u>              |
| Total Net Assets                                   | <u>\$3,069,431</u> | <u>\$2,954,275</u> | <u>\$115,156</u>             |

The above decrease in current assets from 2003 to 2004 is comprised of a decrease in cash and investments of approximately \$35,000 and increase in receivables of approximately \$8,000. The increase in receivables is because certain expenditures under the grant programs were not reimbursed by HUD until the next accounting period.

As mentioned above, most of the assets comprising the increase in fixed assets were acquired under HUD's capital grant programs. Approximately \$23,000 was expended for equipment and an automobile with the remainder (approximately \$274,000) being expended for site and building improvements.



**Housing Authority of the Town of Rayville, Louisiana**

**Management's Discussion and Analysis (MD & A)**

**September 30, 2004**

**Changes in Net Assets**  
**Rayville, Louisiana**  
**For the Year Ended September 30, 2004**

|  | 2004             | 2003               | Increase<br>Decrease |
|--|------------------|--------------------|----------------------|
| <b>Revenue:</b>                          |                  |                    |                      |
|  |                  |                    |                      |
| Tenant Revenue                           | \$116,284        | \$111,381          | \$4,903              |
| Federal Grants & Subsidy                 | 788,742          | 532,255            | 256,487              |
| Investment Income                        | 2,022            | 2,283              | (261)                |
| Other Income                             | 0                | 68,459             | (68,459)             |
| Gain/Loss on Sale of Fixed Assets        | (1,898)          | (8,872)            | 6,974                |
| <b>Total Revenue</b>                     | <u>\$905,150</u> | <u>\$705,506</u>   | <u>\$199,644</u>     |
|  |                  |                    |                      |
| <b>Expenses:</b>                         |                  |                    |                      |
|  |                  |                    |                      |
| Administrative                           | \$131,784        | \$125,280          | \$6,504              |
| Tenant Services                          | 188              | 98                 | 90                   |
| Utilities                                | 30,988           | 24,198             | 6,790                |
| Routine Maintenance                      | 148,801          | 138,522            | 10,279               |
| General Expenses                         | 40,397           | 38,181             | 2,216                |
| Non-Routine Expenses                     | 549              | 1,142              | (593)                |
| Casualty Losses                          | 0                | 68,429             | (68,429)             |
| Housing Assistance Payments (HAP)        | 278,867          | 270,144            | 8,723                |
| Depreciation                             | 158,420          | 157,536            | 884                  |
| <b>Total Expenses</b>                    | <u>\$789,994</u> | <u>\$823,530</u>   | <u>\$(33,536)</u>    |
|  |                  |                    |                      |
| <b>Increase (Decrease) in Net Assets</b> | <u>\$115,156</u> | <u>\$(118,024)</u> | <u>\$233,180</u>     |

The revenue line above identified as "Federal Grants & Subsidy" reports a \$256,487 increase for 2004 over 2003. Approximately \$250,000 of the increase is due to additional revenues being received and/or earned under HUD's capital grant programs. Most the revenue was utilized to acquire equipment and to make site and building improvements.

## **Housing Authority of the Town of Rayville, Louisiana**

### **Management's Discussion and Analysis (MD & A)**

September 30, 2004

The revenue line identified as "Other Income" represents insurance proceeds received during 2003 and this revenue is matched by the casualty loss identified in the expense section. The Housing Authority's office burned in December 2002.

The utility expense line reports an increase of \$6,790 for 2004 when compared with 2003. Practically all of this increase is because of an increase in sewer charges.

Approximately \$6,300 of the increase in routine maintenance costs is attributed to the purchase of assets that were below the Housing Authority's capitalization policy utilizing funds received from HUD under the capital grant programs.

Most of the increase in general expenses is attributed to an increase of compensated absences earned and credited to the Housing Authority's employees.

#### **Capital Assets**

At September 30, 2004, the Housing Authority had \$2,924,155 invested in capital assets. This amount represents a net increase of \$136,691.

#### **Capital Assets at Year End Rayville, Louisiana (Net of Accumulated Depreciation)**

|  | 2004               | 2003               | Increase<br>Decrease |
|--|--------------------|--------------------|----------------------|
| Land                                     | \$32,150           | \$32,150           | \$0                  |
| Buildings                                | 4,032,469          | 4,032,469          | 0                    |
| Furniture, Equipment & Machinery – Dwell | 41,732             | 40,924             | 808                  |
| Furniture, Equipment & Machinery – Admin | 62,601             | 43,575             | 19,026               |
| Leasehold Improvements                   | 225,478            | 225,478            | 0                    |
| Construction in Progress                 | 287,969            | 14,117             | 273,852              |
| Subtotal                                 | \$4,682,399        | \$4,388,713        | \$293,686            |
| Accumulated Depreciation                 | (1,758,244)        | (1,601,249)        | (156,995)            |
| Net Capital Assets                       | <u>\$2,924,155</u> | <u>\$2,787,464</u> | <u>\$136,691</u>     |

## **Housing Authority of the Town of Rayville, Louisiana**

### **Management's Discussion and Analysis (MD & A)**

September 30, 2004

The current year major additions were:

|  |                  |
|--|------------------|
| Purchase of Whirlpool appliances                     | \$ 4,130         |
| Purchase of front end loader                         | 3,135            |
| Purchase of 2004 Chevy truck                         | 15,891           |
| Capital grants construction in progress expenditures | <u>273,852</u>   |
| Total  | <u>\$297,008</u> |

The Housing Authority still has \$202,600 in Capital program funds to draw down and spend in the future.

### **Economic Factors**

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2005 federal budget.

### **Budgetary Analysis**

The final operating budget approved by the Board of Directors for the Low Rent Public Housing Program for the fiscal year ending June 30, 2004 showed a deficit of budgeted expenses exceeding budgeted revenues of \$ 67,549.

#### **Low Rent Public Housing Program Budgetary Highlights:**

##### **Revenues:**

The original proposed budgeted revenues of \$ 110,410 were revised to \$ 115,280 to account for additional rental income.

The PHA had a budget overrun of \$ 1,102 in operating revenues when comparing the actual revenues for the year to the final budgeted revenues.

The Operating subsidy was revised from \$ 195,022 to \$ 184,914. This reduction in operating subsidy was due to HUD not receiving enough in appropriations from Congress to fund the PHA at 100 % of subsidy. Tenant service participation subsidy was reduced by HUD from \$ 2,500 to \$ 2,368.

## **Housing Authority of the Town of Rayville, Louisiana**

### **Management's Discussion and Analysis (MD & A) September 30, 2004**

#### **Expenses:**

The original budgeted expenses for the 2004 budget were revised from \$324,810 to \$370,110 due to increased cost of the audit, other administrative expenses, utilities, maintenance, and general expenses. The PHA did not have a budget overrun in total for operating expenses, but did have a few line item overruns and under runs that would be considered significant.

Administrative expenses were below budget by \$5,859 even though there were some small individual line items that exceed the budget amounts.

Ordinary Maintenance was below budget by \$ 23,782. Labor, materials and employee benefits were over budget by a total of \$6,491 while contract cost and garbage removal were under budget by \$30,273.

Under the General Expense category, property insurance was \$2,705 under budget while compensated absences exceeded the budget by \$5,652.

Extraordinary maintenance, casualty losses, and replacement of equipment were under budget by \$11,201.

Depreciation expense was not budgeted for the year.

#### **Contacting the Housing Authority's Financial Management**

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Housing Authority's finances and to show the Housing Authority's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact R. A. Eubanks, Executive Director, at the Housing Authority of the Town of Rayville, 202 Waldorf Street, Rayville, LA 71269, telephone number (318) 728-5212.

HOUSING AUTHORITY OF RAYVILLE  
ENTERPRISE FUNDS - BALANCE SHEET  
YEAR ENDED SEPTEMBER 30, 2004

|   | General      | Section 8<br>New Construction | Capital Fund<br>Program | Total        |
|---|--------------|-------------------------------|-------------------------|--------------|
| <b>ASSETS</b>   |              |                               |                         |              |
| Current assets  |              |                               |                         |              |
| Cash and cash equivalents   | \$ 8,298     | \$ 2,150                      | \$ 0                    | \$ 10,448    |
| Investments   | 144,392      | 0                             | 0                       | 144,392      |
| Accounts receivable net   | 1,518        | 6,417                         | 3,763                   | 11,698       |
| Interest receivable   | 541          | 0                             | 0                       | 541          |
| Interfund receivable  | 6,609        | 0                             | 0                       | 6,609        |
| Prepaid items and other assets                                    | 14,264       | 0                             | 0                       | 14,264       |
| Inventory   | 1,500        | 0                             | 0                       | 1,500        |
| Total Current Assets  | 177,122      | 8,567                         | 3,763                   | 189,452      |
| Restricted Assets   |              |                               |                         |              |
| Investments   | 10,418       | 0                             | 0                       | 10,418       |
| Capital Assets, net   |              |                               |                         |              |
| Land  | 32,150       | 0                             | 0                       | 32,150       |
| Buildings, and equipment (net)                                    | 2,577,225    | 0                             | 26,811                  | 2,604,036    |
| Construction in progress  | 0            | 0                             | 287,969                 | 287,969      |
| Total Capital Assets, net   | 2,609,375    | 0                             | 314,780                 | 2,924,155    |
| Total Assets  | \$ 2,796,915 | \$ 8,567                      | \$ 318,543              | \$ 3,124,025 |
| <b>LIABILITIES</b>  |              |                               |                         |              |
| Current Liabilities   |              |                               |                         |              |
| Accounts payable  | \$ 8,232     | \$ 260                        | \$ 0                    | \$ 8,492     |
| Deferred revenue  | 2            | 0                             | 0                       | 2            |
| Compensated absences payable                                      | 4,485        | 0                             | 0                       | 4,485        |
| Interfund payable   | 0            | 2,846                         | 3,763                   | 6,609        |
| Accrued PILOT   | 8,459        | 0                             | 0                       | 8,459        |
| Total Current Liabilities   | 21,178       | 3,106                         | 3,763                   | 28,047       |
| Current Liabilities - payable from<br>Current Restricted Assets - |              |                               |                         |              |
| Deposits due others   | 10,418       | 0                             | 0                       | 10,418       |
| Noncurrent Liabilities  |              |                               |                         |              |
| Compensated absences payable                                      | 14,220       | 1,909                         | 0                       | 16,129       |
| Total Liabilities   | 45,816       | 5,015                         | 3,763                   | 54,594       |
| <b>NET ASSETS</b>   |              |                               |                         |              |
| Invested in capital assets, net of<br>related debt                | 2,609,375    | 0                             | 314,780                 | 2,924,155    |
| Unrestricted  | 141,724      | 3,552                         | 0                       | 145,276      |
| Net Assets  | 2,751,099    | 3,552                         | 314,780                 | 3,069,431    |
| Total Liabilities and Net Assets                                  | \$ 2,796,915 | \$ 8,567                      | \$ 318,543              | \$ 3,124,025 |

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF RAYVILLE  
ENTERPRISE FUNDS – STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN FUND NET ASSETS  
YEAR ENDED SEPTEMBER 30, 2004

|  | General      | Section 8<br>New Construction | Capital Fund<br>Program | Total        |
|--|--------------|-------------------------------|-------------------------|--------------|
| <b>OPERATING REVENUES</b>                  |              |                               |                         |              |
| Dwelling rental                            | \$ 115,578   | \$ 0                          | \$ 0                    | \$ 115,578   |
| Other                                      | 706          | 0                             | 0                       | 706          |
| Total Operating Revenues                   | 116,284      | 0                             | 0                       | 116,284      |
| <b>OPERATING EXPENSES</b>                  |              |                               |                         |              |
| Administration                             | 115,802      | 15,766                        | 216                     | 131,784      |
| Tenant services                            | 188          | 0                             | 0                       | 188          |
| Utilities                                  | 30,988       | 0                             | 0                       | 30,988       |
| Ordinary maintenance & operations          | 142,538      | 0                             | 6,263                   | 148,801      |
| General expenses                           | 40,397       | 0                             | 0                       | 40,397       |
| Depreciation                               | 156,282      | 0                             | 2,138                   | 158,420      |
| Extraordinary maintenance                  | 549          | 0                             | 0                       | 549          |
| Housing assistance payments                | 0            | 278,867                       | 0                       | 278,867      |
| Total Operating Expenses                   | 486,744      | 294,633                       | 8,617                   | 789,994      |
| Income (loss) from Operations              | (370,460)    | (294,633)                     | (8,617)                 | (673,710)    |
| <b>Non Operating Revenues (Expenses)</b>   |              |                               |                         |              |
| Interest earnings                          | 1,997        | 25                            | 0                       | 2,022        |
| Federal grants                             | 187,281      | 297,973                       | 303,488                 | 788,742      |
| Loss on disposal of assets                 | (1,898)      | 0                             | 0                       | (1,898)      |
| Total Non-Operating<br>Revenues (Expenses) | 187,380      | 297,998                       | 303,488                 | 788,866      |
| Income (loss)                              | (183,080)    | 3,365                         | 294,871                 | 115,156      |
| Change in net assets                       | (183,080)    | 3,365                         | 294,871                 | 115,156      |
| Total net assets - beginning               | 2,934,179    | 187                           | 19,909                  | 2,954,275    |
| Total net assets - ending                  | \$ 2,751,099 | \$ 3,552                      | \$ 314,780              | \$ 3,069,431 |

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF RAYVILLE  
ENTERPRISE FUNDS – STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2004

|  | General    | Section 8<br>New Construction | Capital Fund<br>Program | Total      |
|--|------------|-------------------------------|-------------------------|------------|
| <b>CASH FLOWS FROM<br/>OPERATING ACTIVITIES</b>                                  |            |                               |                         |            |
| Rental receipts  | \$ 114,935 | \$ 0                          | \$ 0                    | \$ 114,935 |
| Other receipts   | (3,528)    | 291                           | 3,730                   | 493        |
| Payments to vendors  | (147,966)  | (1,269)                       | (6,479)                 | (155,714)  |
| Payments to employees – net  | (180,393)  | (19,405)                      | 0                       | (199,798)  |
| Payments to private landlords  | 0          | (278,867)                     | 0                       | (278,867)  |
| Net cash provided (used) by<br>operating activities                              | (216,952)  | (299,250)                     | (2,749)                 | (518,951)  |
| <b>CASH FLOWS FROM NON-CAPITAL<br/>FINANCING ACTIVITIES</b>                      |            |                               |                         |            |
| Federal grants   | 187,281    | 291,556                       | 2,749                   | 481,586    |
| Net cash provided (used) by non-<br>capital financing activities                 | 187,281    | 291,556                       | 2,749                   | 481,586    |
| <b>CASH FLOWS FROM CAPITAL AND<br/>RELATED FINANCING ACTIVITIES</b>              |            |                               |                         |            |
| Purchase of capital assets   | 0          | 0                             | (297,009)               | (297,009)  |
| Federal Capital Grants   | 0          | 0                             | 297,009                 | 297,009    |
| Net cash provided (used) by capital<br>and related financing activities          | 0          | 0                             | 0                       | 0          |
| <b>CASH FLOWS FROM INVESTING<br/>ACTIVITIES</b>                                  |            |                               |                         |            |
| Interest income  | 2,308      | 25                            | 0                       | 2,333      |
| Purchase of investments  | 12,955     | 0                             | 0                       | 12,955     |
| Net cash provided (used) by<br>interest income net of purchases<br>of investment | 15,263     | 25                            | 0                       | 15,288     |
| <b>NET INCREASE (DECREASE) IN<br/>CASH AND CASH EQUIVALENTS</b>                  | (14,408)   | (7,669)                       | 0                       | (22,077)   |
| <b>CASH AND CASH EQUIVALENTS<br/>Beginning of Fiscal Year</b>                    | 22,706     | 9,819                         | 0                       | 32,525     |
| <b>CASH AND CASH EQUIVALENTS<br/>End of Fiscal Year</b>                          | \$ 8,298   | \$ 2,150                      | \$ 0                    | \$ 10,448  |

Continued

HOUSING AUTHORITY OF RAYVILLE  
ENTERPRISE FUNDS – STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2004

|   | <u>General</u>      | <u>Section 8<br/>New Construction</u> | <u>Capital Fund<br/>Program</u> | <u>Total</u>        |
|---|---------------------|---------------------------------------|---------------------------------|---------------------|
| <b>RECONCILIATION OF OPERATING<br/>INCOME (LOSS) TO NET CASH<br/>PROVIDED (USED) BY OPERATING<br/>ACTIVITIES:</b> |                     |                                       |                                 |                     |
| Operating income (loss)   | \$ (370,460)        | \$ (8,617)                            | \$ (294,633)                    | \$ (673,710)        |
| Adjustment to reconcile operating<br>income to net cash provided by<br>operating activities:                      |                     |                                       |                                 |                     |
| Depreciation Expense  | 156,282             | 2,138                                 | 0                               | 158,420             |
| Change in assets and liabilities:   |                     |                                       |                                 |                     |
| Receivables   | (643)               | 0                                     | 0                               | (643)               |
| Due from other funds  | (4,021)             | 0                                     | 0                               | (4,021)             |
| Inventories   | (1,000)             | 0                                     | 0                               | (1,000)             |
| Prepaid items   | (1,934)             | 0                                     | 0                               | (1,934)             |
| Account payables  | (598)               | 0                                     | (194)                           | (792)               |
| Accrued expenses  | 5,607               | 0                                     | (4,714)                         | 893                 |
| Deferred revenue  | (185)               | 0                                     | 0                               | (185)               |
| Due to other funds  | 0                   | 3,730                                 | 291                             | 4,021               |
| Net cash provided by operations   | \$ <u>(216,952)</u> | \$ <u>(2,749)</u>                     | \$ <u>(299,250)</u>             | \$ <u>(518,951)</u> |
|   |                     |                                       |                                 | Concluded           |

The Notes to the Financial Statements are an integral part of these statements.



HOUSING AUTHORITY OF RAYVILLE  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2004

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HOUSING AUTHORITY OF RAYVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** The accompanying financial statements of the Housing Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. REPORTING ENTITY** Housing Authorities are chartered as public corporations under the laws (LSA – R.S. 40.391) of the state of Louisiana for the purpose of providing safe and sanitary dwellings accommodations. This creation was contingent upon the local governing body of the city or parish declaring a need for the Housing Authority to function in such city or parish. The Housing Authority is governed by a five member Board of Commissioners. The members, appointed by the Honorable Mayor of the Town of Rayville, serve staggered multi-year terms.

The Housing Authority has the following units:

|                   |         |     |
|-------------------|---------|-----|
| PHA Owned Housing | FW 1276 | 100 |
| Section 8         |         |     |
| New Construction  | FW 2169 | 80  |

GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Housing Authority is considered a primary government, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 14, fiscally independent means that the Housing Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt with HUD approval.

The Housing Authority is a related organization of the Town of Rayville since the Town of Rayville appoints a voting majority of Housing Authority's governing board. The Town of Rayville is not financially accountable for the Housing Authority as it cannot impose its will on the Housing Authority and there is no potential for the Housing Authority to provide financial benefit to, or impose financial burdens on, the Town of Rayville. Accordingly, the Housing Authority is not a component unit of the financial reporting entity of the Town of Rayville.

Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Housing Authority for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability, which includes:

HOUSING AUTHORITY OF RAYVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004

- 1) Appointing a voting majority of an organization's governing body, and:
  - a) The ability of the government to impose its will on that organization and/or
  - b) The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the government.
- 2) Organizations for which the government does not appoint a voting majority but are fiscally dependent on the government.
- 3) Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the Housing Authority has determined that there are no component units that should be considered as part of the Housing Authority reporting entity.

**B. FUNDS** The accounts of the Housing Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

All funds of the Housing Authority are classified as proprietary. The general fund accounts for the transactions of the public housing Low Rent program. The Section 8 New Construction Fund accounts for the Section 8 New Construction program. The Capital Funding program accounts for Capital Funding grants.

### C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

**New Accounting Standards Adopted** During the year ended September 30, 2004, the Authority adopted three new statements of financial accounting standards issued by the Government Accounting Standards Board (GASB):

- Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.
- Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Ominous, an amendment of GASB Statements No. 21 and 34*.
- Statement No. 38, *Certain Financial Statement Note Disclosures*.

HOUSING AUTHORITY OF RAYVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004

Statement No. 34 (as amended by Statement No.37) represents a very significant change in the financial reporting model used by state and local governments including special purpose governments such as the Housing Authority of the Town of Rayville. This new reporting model requires management to provide a narrative and analysis to the ordinary user called the Management's Discussion and Analysis (MD&A). This new reporting model also requires the financial statements to be presented on the entity as a whole (government-wide financial statements). The most significant changes to the financial statements are the format, classification of information and the classification of fund equity into various classes of net assets.

**PROPRIETARY FUNDS** Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The Housing Authority has elected, pursuant to GASB Statement No. 20, to apply all GASB pronouncements and only FASB pronouncements issued before November 13, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the Housing Authority's funds are rent and maintenance charges to residents and administration fees earned. Operating expenses for proprietary funds include the administrative costs of providing the service and the housing assistance payments to residents. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. CASH AND CASH EQUIVALENTS** Cash includes amounts in demand deposits and interest-bearing demand deposits. Cash equivalents include amounts in time deposits and cash with fiscal agent. Under state law, the Housing Authority may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

**E. INVESTMENTS** Investments are limited to L.S.-R.S. 33:2955 and the Housing Authority's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The investments are reflected at quoted market prices except for the following which are required/permitted as per GASB Statement No. 31:

HOUSING AUTHORITY OF RAYVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004

Investments in nonparticipating interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.

The Housing Authority reported at amortized cost money market investments participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less.

Definitions:

Interest-earning investment contract include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.

Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

**F. SHORT – TERM INTERFUND RECEIVABLES/PAYABLES** During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

**G. INVENTORY** All purchased inventory items are valued at cost using first-in, first-out method. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed.

**H. PREPAID ITEMS** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**I. CAPITAL ASSETS** Capital assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). The capitalization threshold is \$500. Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful live is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

|                         |           |
|-------------------------|-----------|
| Site improvements       | 15 years  |
| Buildings               | 40 years  |
| Building improvements   | 15 years  |
| Furniture and equipment | 5-7 years |
| Computers               | 3 years   |

General infrastructure assets acquired prior to July 1, 2003, are not reported in the basic financial statements. General infrastructure assets include all roads, bridges, sidewalks, and other infrastructure assets acquired subsequent to July 1, 2003.

HOUSING AUTHORITY OF RAYVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004

**J. DEFERRED REVENUES** The Housing Authority reports deferred revenues on its balance sheet. Deferred revenues arise when resources are received by the Housing Authority before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Housing Authority has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

**K. COMPENSATED ABSENCES** The Housing Authority follows Louisiana Civil Service regulations for accumulated annual and sick leave. Employees may accumulate up to three hundred hours of annual leave which may be received upon termination or retirement. Sick leave hours accumulate, but the employee is not paid for them if not used by his/her retirement or termination date.

**L. RESTRICTED NET ASSETS** Net assets are reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Restricted resources are used first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**M. INTERFUND ACTIVITY** Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate. Services provided, deemed to be at market or near market rates, are treated as revenues and expenses.

All other interfund transfers are reported as operating transfers. Reimbursements are when one fund incurs cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

**N. USE OF ESTIMATES** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other financing sources and uses during the reporting period. Actual results could differ from those estimates.

HOUSING AUTHORITY OF RAYVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004

**NOTE 2 – DEPOSITS AND INVESTMENTS** Both cash deposits and investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

- Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name
- Category 3 - Uninsured and unregistered investments held by the counter-party, its trust department, or its agent, but not in the Authority's name

At September 30, 2004 the Housing Authority has Cash equivalents, and investments totaling \$165,258 as follows:

|  |    |                |
|--|----|----------------|
| Cash on hand                           | \$ | 50             |
| Demand deposits                        |    | 8,248          |
| Interest-bearing demand deposits       |    | 2,150          |
| Time deposits                          |    | 154,810        |
| Total                                  | \$ | <u>165,258</u> |
| Cash and cash equivalents              | \$ | 10,448         |
| Cash and cash equivalents – restricted |    | 10,418         |
| Investments                            |    | 144,392        |
| Total                                  | \$ | <u>165,258</u> |

Deposits are stated at cost, which approximates fair value.

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At September 30 2004, the Housing Authority's carrying amount of deposits was \$165,208 and the bank balance was \$172,775. Of the bank balance, \$147,019 was covered by federal depository insurance (GASB Category 1). The remaining \$25,756 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the Housing Authority's name (GASB Category 3).

HOUSING AUTHORITY OF RAYVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement #3, Louisiana Revised Statute 39.1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Housing Authority that the fiscal agent has failed to pay deposited funds upon demand.

Investments during the year were solely in time deposits at banks.

**NOTE 3 – ACCOUNTS RECEIVABLE** The receivables at September 30, 2004 are as follows:

|                             | General  | Section 8<br>New Construction | Capital Fund<br>Program | Total     |
|-----------------------------|----------|-------------------------------|-------------------------|-----------|
| <u>Class of Receivables</u> |          |                               |                         |           |
| Local sources:              |          |                               |                         |           |
| Other                       | \$ 1,518 | 0                             | 0                       | \$ 1,518  |
| Federal sources:            |          |                               |                         |           |
| Grants                      | 0        | 6,417                         | 3,763                   | 10,180    |
| Total                       | \$ 1,518 | 6,417                         | 3,763                   | \$ 11,698 |

The tenants account receivable is net of an allowance for doubtful accounts of zero.

**NOTE 4 – CAPITAL ASSETS** The changes in capital assets are as follows:

|                                      | Balance<br>09-30-03 | Additions  | Deletions | Balance<br>09-30-04 |
|--------------------------------------|---------------------|------------|-----------|---------------------|
| Land                                 | \$ 32,150           | \$ 0       | \$ 0      | \$ 32,150           |
| Buildings and leasehold improvements | 4,257,947           | 0          | 0         | 4,257,947           |
| Furniture and equipment              | 84,499              | 23,156     | 3,322     | 104,333             |
| Construction in progress             | 14,117              | 273,852    | 0         | 287,969             |
| Total                                | 4,388,713           | 297,008    | 3,322     | 4,682,399           |
| Less: accumulated depreciation       |                     |            |           |                     |
| Buildings                            | 1,564,981           | 145,552    | 0         | 1,710,533           |
| Furniture and equipment              | 36,268              | 12,868     | 1,425     | 47,711              |
| Total                                | 1,601,249           | 158,420    | 1,425     | 1,758,244           |
| Fixed assets, net                    | \$ 2,787,464        | \$ 138,588 | \$ 1,897  | \$ 2,924,155        |



HOUSING AUTHORITY OF RAYVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004

**NOTE 5 – RETIREMENT SYSTEM** The Housing Authority participates in a defined contribution plan. Through this plan, the Housing Authority provides pension benefits for all of its full-time employees. All regular and full-time employees are eligible to participate in the plan on the first day of the month after completing one month of continuous and uninterrupted employment. Plan provisions and changes to plan contributions are determined by the Board of the Housing Authority.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The employer is required to make monthly contributions equal to 8% percent of each participant's basic (excludes overtime) compensation. Participants in the plan do not make monthly contributions.

The Housing Authority's contribution for each employee and income allocated to the employee's account are fully vested after five years of continuous service. Housing Authority's contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the Housing Authority. Normal retirement date shall be the first day of the month following the employee's 65<sup>th</sup> birthday or after 10 years of participation in the plan.

The Housing Authority's contributions were calculated using the base salary amount of \$131,362. The Housing Authority made the required contributions of \$10,509 for the year ended September 30, 2004, of which \$10,509 was paid by the Housing Authority. No payments were made out of the forfeiture account.

**NOTE 6 – ACCOUNTS PAYABLE** The payables at September 30, 2004 are as follows:

|  | General  | Section 8<br>New Construction | Total    |
|--|----------|-------------------------------|----------|
| Vendors                                | \$ 6,246 | 0                             | \$ 6,246 |
| Payroll taxes &<br>Retirement withheld | 1,986    | 260                           | 2,246    |
| Total                                  | \$ 8,232 | 260                           | \$ 8,492 |

HOUSING AUTHORITY OF RAYVILLE  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

**Litigation** The Housing Authority is not presently involved in litigation.

**Grant Disallowances** The Housing Authority participates in a number of state and federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Housing Authority management believes that the amount of disallowance, if any, which may arise from future audits will not be material.

**Construction Projects** There are certain renovation or construction projects in progress at September 30, 2004. These include modernizing rental units. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred.

**Risk Management** The Housing Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Housing Authority carries commercial insurance.

**NOTE 8 – INTERFUND RECEIVABLES / PAYABLES** Interfund receivables / payables at September 30, 2004 are as follows: The Section 8 New Construction program and the Capital Fund Program owe \$2,846 and \$3,763, respectively, to the Low Rent program.

**NOTE 9 – COMPENSATED ABSENCES** At September 30, 2004, employees of the Housing Authority have accumulated and vested \$20,614 of employee leave computed in accordance with GASB, Codification Section C60.

**NOTE 10 – GENERAL LONG – TERM OBLIGATIONS** The following is a summary of the long – term obligation transactions for the year ended September 30, 2004.

|                         |    | Compensated<br>Absences |
|-------------------------|----|-------------------------|
| Balance, beginning      | \$ | 14,459                  |
| Additions               |    | 12,310                  |
| Deductions              |    | 6,155                   |
| Balance, ending         |    | 20,614                  |
| Amounts due in one year | \$ | 4,485                   |

## SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF RAYVILLE  
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST  
ANNUAL CONTRIBUTION CONTRACT

YEAR ENDED SEPTEMBER 30, 2004

1. The Actual Modernization Costs are as follows:

|                          |        | 2002<br>Capital Fund |
|--------------------------|--------|----------------------|
| Funds approved           | \$     | 196,327              |
| Funds expended           |        | 196,327              |
| Excess of funds approved | \$     | <u>0</u>             |
| <br>Funds advanced       | <br>\$ | <br>196,327          |
| Funds expended           |        | 196,327              |
| Excess of funds advanced | \$     | <u><u>0</u></u>      |

2. The distribution of costs by project as shown on the Final Statements of Modernization Costs dated July 26, 2004 accompanying the Actual Modernization Costs Certificate submitted to HUD for approval is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

## EXHIBIT E(2)

HOUSING AUTHORITY OF RAYVILLE  
STATEMENT OF MODERNIZATION COSTS - UNCOMPLETED

YEAR ENDED SEPTEMBER 30, 2004

CASH BASIS

|                          |    | 2003<br><u>Capital Fund</u> |    | 2003<br><u>Capital Fund</u> |
|--------------------------|----|-----------------------------|----|-----------------------------|
| Funds approved           | \$ | 156,830                     | \$ | 31,256                      |
| Funds expended           |    | <u>139,021</u>              |    | <u>28,091</u>               |
| Excess of funds approved | \$ | <u>17,809</u>               | \$ | <u>3,165</u>                |
|                          |    |                             |    |                             |
| Funds advanced           | \$ | 139,021                     | \$ | 24,328                      |
| Funds expended           |    | <u>139,021</u>              |    | <u>28,091</u>               |
| Excess of funds advanced | \$ | <u>0</u>                    | \$ | <u>(3,763)</u>              |

See accountants' report

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MIKE ESTES, CPA

**Report on Compliance with Requirements Applicable to Each  
Major Program and Internal Control Over Compliance in  
Accordance with OMB Circular A-133**

Housing Authority of Rayville  
Rayville, Louisiana

We have audited the compliance of the Housing Authority of Rayville, Louisiana with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. The Housing Authority of Rayville, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of Rayville, Louisiana's Management. Our responsibility is to express an opinion on the Housing Authority of Rayville, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of Rayville, Louisiana's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Housing Authority of Rayville, Louisiana's compliance with those requirements.

In our opinion, the Housing Authority of Rayville, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

### Internal Control Over Compliance

The management of The Housing Authority of Rayville, Louisiana is responsible for establishing and maintaining internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority of Rayville, Louisiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties. Under state Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Mike Estes, P.C.  
Fort Worth, Texas  
January 12, 2005

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**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Governmental Auditing Standards***

Housing Authority of Rayville  
Rayville, Louisiana

We have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of Rayville, Louisiana as of and for the year ended September 30, 2004, which collectively comprise the Housing Authority of Rayville, Louisiana's, basic financial statements and have issued our report thereon dated January 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Housing Authority of Rayville, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Authority of Rayville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



This report is intended for the information of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Mike Estes, P. C.  
Fort Worth, Texas  
January 12, 2005

HOUSING AUTHORITY OF RAYVILLE  
STATEMENT OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2004

| FEDERAL GRANTOR<br>PROGRAM TITLE                                      | <u>CDFA<br/>NO.</u> | <u>PROGRAM<br/>EXPENDITURES</u> |
|---|---------------------|---------------------------------|
| U. S. Department of Housing and Urban Development<br>Direct Programs: |                     |                                 |
| Low-Income Housing Operating Subsidy                                  | 14.850              | <u>187,281</u>                  |
| Section 8 HAP – New Construction                                      | 14.182              | <u>293,948</u>                  |
| Public Housing Capital Fund   | 14.872              | <u>303,488</u>                  |
| Total United States Department<br>of Housing and Urban Development    | \$                  | <u>784,717</u>                  |
| Total Expenditures of Federal Awards                                  | \$                  | <u>784,717</u>                  |

HOUSING AUTHORITY OF RAYVILLE  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2004

**NOTE 1 – GENERAL** The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Housing Authority of Rayville, Louisiana (the “Housing Authority”). The Housing Authority reporting entity is defined in note 1(A) to the Housing Authority’s general-purpose financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule.

**NOTE 2 – BASIS OF ACCOUNTING** The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1(C) to the Housing Authority’s general-purpose financial statements.

**NOTE 3 - RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS** Federal awards revenues are reported in the Housing Authority’s general-purpose financial statements as follows:

|                            | <u>Federal Sources</u> |
|----------------------------|------------------------|
| Enterprise funds:          |                        |
| Public Housing             | \$ 187,281             |
| Section 8 New Construction | 293,948                |
| Capital Fund               | <u>303,488</u>         |
| Total                      | \$ <u>784,717</u>      |

**NOTE 4 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS** Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with generally accepted accounting principles.

**NOTE 5 – MAJOR FEDERAL AWARDS PROGRAMS** The dollar threshold of \$300,000 was used to distinguish between Type A and Type B federal programs. For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures. In accordance with HUD Notice PIH 98-14, “federal awards” do not include Housing Authority operating income from rents or investments (or other non-federal sources). In addition, debt service annual contribution payments made by HUD directly to fiscal agents for holders of Housing Authority bonds or for Housing Authority notes held by the federal financing bank (FFB), are not considered when determining if the Single Audit Act “federal awards expended” threshold is met by the Housing Authority in a fiscal year. In addition, the entire amount of operating subsidy received during the fiscal year is considered to be “expended” during the fiscal year.

HOUSING AUTHORITY OF RAYVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2004

**Financial Statement Audit**

- i. The type of audit report issued was unqualified.
- ii. There were no reportable conditions required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States.
- iii. There were no instances of noncompliance considered material, as defined by the Government Auditing Standards to the financial statements.

**Audit of Federal Awards**

- iv. There were no reportable conditions required to be disclosed by OMB Circular No. A-133.
- v. The type of report the auditor issued on compliance for major programs was unqualified.
- vi. The audit disclosed no audit findings which the auditor is required to report under OMB Circular No. A-133, Section .510(a).
- vii. The major federal programs are:
  - CFDA# 14.850                      Public and Indian Housing -- Low Rent Program
- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular No. A-133, Section .520(b) was 300,000.
- ix. The auditee qualifies as a low-risk auditee under OMB Circular No. A-133, Section .530.

HOUSING AUTHORITY OF RAYVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2004

Prior Audit Findings and Questioned Costs

The prior audit report contained three audit findings, as follows:

Finding 03-01 – Tenant Files

We noted instances where tenant income was not always verified directly with third parties, and we recommended this be done. In addition, we recommended that supervisory checks be better documented.

In the current year, we noted no exceptions regarding third party verification. In addition, the PHA is documenting its quality control checks. This finding is cleared.

Finding 03-02 – Inventory of Equipment

We noted the PHA had not recently performed a physical inventory of fixed assets. In addition, the fixed assets were not tagged in compliance with Louisiana state law compliance requirements (R.S. 24:515).

The PHA now has a completed, tagged inventory. This finding is completed.

Finding 03-03 – Code of Ethics

In the prior year, the PHA had not adopted a Code of Ethics Policy, as required by Louisiana state law sections LSA – RS 42: 1101 – 1124 and LSA – RS 42: 1119.

The PHA has now adopted a Code of Ethics Policy. This finding is cleared.

Current Audit Findings

Entity-wide or program/department specific

None

HOUSING AUTHORITY OF THE TOWN OF RAYVILLE  
SCHEDULE OF AUDIT JOURNAL ENTRIES

YEAR ENDED SEPTEMBER 30, 2004

|   |  | ACCT. #<br>FOR<br>AUDIT<br>PURPOSES | DR     | CR     | ACCT. #<br>FOR<br>POSTING<br>TO PHA<br>BOOKS |
|---|--|-------------------------------------|--------|--------|--|
|   | <u>New Construction</u>  |                                     |        |        |  |
| 1 | Prior year adjustments   | 1104                                | 1,555  |        |  |
|   | HUD Grants   | 706                                 |        | 1,555  |  |
|   | To reclassify immaterial amount originally recorded as a prior period adjustment |                                     |        |        |  |
| 2 | Accounts receivable  | 122                                 | 2,470  |        |  |
|   | Other income   | 706                                 |        | 2,470  |  |
|   | To adjust to HUD-approved 52681 for the year ended 9/30/04                       |                                     |        |        |  |
|   | <u>Low Rent</u>  |                                     |        |        |  |
| 3 | Investments - restricted   | 135                                 | 10,418 |        |  |
|   | Investments  | 131                                 |        | 10,418 |  |
|   | To reclassify security deposits equivalent                                       |                                     |        |        |  |
| 4 | Accrued compensated absences payable   | 354                                 | 4,485  |        |  |
|   | Accrued compensated absences – short term  | 322                                 |        | 4,485  |  |
|   | To reclassify long-term portion of absences                                      |                                     |        |        |  |

PHA: LA105 FYED: 09/30/2004

| Line Item No. | Account Description   | N/C S/R Section 8 Programs | Low Rent Public Housing | Public Housing Capital Fund Program | Total              |
|---------------|---|----------------------------|-------------------------|-------------------------------------|--------------------|
| 111           | Cash - Unrestricted   | \$2,150                    | \$8,298                 | \$0                                 | \$10,448           |
| 100           | <b>Total Cash</b>   | <b>\$2,150</b>             | <b>\$8,298</b>          | <b>\$0</b>                          | <b>\$10,448</b>    |
| 122           | Accounts Receivable - HUD Other Projects                          | \$6,417                    | \$0                     | \$3,763                             | \$10,180           |
| 125           | Accounts Receivable - Miscellaneous                               | \$0                        | \$1,518                 | \$0                                 | \$1,518            |
| 126.2         | Allowance for Doubtful Accounts - Other                           | \$0                        | \$0                     | \$0                                 | \$0                |
| 129           | Accrued Interest Receivable                                       | \$0                        | \$541                   | \$0                                 | \$541              |
| 120           | <b>Total Receivables, net of allowances for doubtful accounts</b> | <b>\$6,417</b>             | <b>\$2,059</b>          | <b>\$3,763</b>                      | <b>\$12,239</b>    |
| 131           | Investments - Unrestricted  | \$0                        | \$144,392               | \$0                                 | \$144,392          |
| 135           | Investments - Restricted for Payment of Current Liabilities       | \$0                        | \$10,418                | \$0                                 | \$10,418           |
| 142           | Prepaid Expenses and Other Assets                                 | \$0                        | \$14,264                | \$0                                 | \$14,264           |
| 143           | Inventories   | \$0                        | \$1,500                 | \$0                                 | \$1,500            |
| 143.1         | Allowance for Obsolete Inventories                                | \$0                        | \$0                     | \$0                                 | \$0                |
| 144           | Interprogram Due From   | \$0                        | \$6,609                 | \$0                                 | \$6,609            |
| 150           | <b>Total Current Assets</b>                                       | <b>\$8,567</b>             | <b>\$187,540</b>        | <b>\$3,763</b>                      | <b>\$199,870</b>   |
| 161           | Land  | \$0                        | \$32,150                | \$0                                 | \$32,150           |
| 162           | Buildings   | \$0                        | \$4,032,469             | \$0                                 | \$4,032,469        |
| 163           | Furniture, Equipment & Machinery - Dwellings                      | \$0                        | \$37,602                | \$4,130                             | \$41,732           |
| 164           | Furniture, Equipment & Machinery - Administration                 | \$0                        | \$36,935                | \$25,666                            | \$62,601           |
| 165           | Leasehold Improvements  | \$0                        | \$225,478               | \$0                                 | \$225,478          |
| 166           | Accumulated Depreciation  | \$0                        | \$-1,755,259            | \$-2,985                            | \$-1,758,244       |
| 167           | Construction In Progress  | \$0                        | \$0                     | \$287,969                           | \$287,969          |
| 160           | <b>Total Fixed Assets, Net of Accumulated Depreciation</b>        | <b>\$0</b>                 | <b>\$2,609,375</b>      | <b>\$314,780</b>                    | <b>\$2,924,155</b> |
| 180           | <b>Total Non-Current Assets</b>                                   | <b>\$0</b>                 | <b>\$2,609,375</b>      | <b>\$314,780</b>                    | <b>\$2,924,155</b> |
| 190           | <b>Total Assets</b>   | <b>\$8,567</b>             | <b>\$2,796,915</b>      | <b>\$318,543</b>                    | <b>\$3,124,025</b> |

PHA: LA105 FYED: 09/30/2004

| Line Item No. | Account Description                             | N/C S/R Section 8 Programs | Low Rent Public Housing | Public Housing Capital Fund Program | Total              |
|---------------|---|----------------------------|-------------------------|-------------------------------------|--------------------|
| 312           | Accounts Payable <= 90 Days                     | \$0                        | \$6,246                 | \$0                                 | \$6,246            |
| 321           | Accrued Wage/Payroll Taxes Payable              | \$260                      | \$1,986                 | \$0                                 | \$2,246            |
| 322           | Accrued Compensated Absences - Current Portion  | \$0                        | \$4,485                 | \$0                                 | \$4,485            |
| 333           | Accounts Payable - Other Government             | \$0                        | \$8,459                 | \$0                                 | \$8,459            |
| 341           | Tenant Security Deposits                        | \$0                        | \$10,418                | \$0                                 | \$10,418           |
| 342           | Deferred Revenues                               | \$0                        | \$2                     | \$0                                 | \$2                |
| 347           | Interprogram Due To                             | \$2,846                    | \$0                     | \$3,763                             | \$6,609            |
| 310           | <b>Total Current Liabilities</b>                | <b>\$3,106</b>             | <b>\$31,598</b>         | <b>\$3,763</b>                      | <b>\$38,465</b>    |
| 354           | Accrued Compensated Absences - Non Current      | \$1,909                    | \$14,220                | \$0                                 | \$16,129           |
| 350           | <b>Total Noncurrent Liabilities</b>             | <b>\$1,909</b>             | <b>\$14,220</b>         | <b>\$0</b>                          | <b>\$16,129</b>    |
| 300           | <b>Total Liabilities</b>                        | <b>\$5,015</b>             | <b>\$45,816</b>         | <b>\$3,763</b>                      | <b>\$54,594</b>    |
| 508           | <b>Total Contributed Capital</b>                | <b>\$0</b>                 | <b>\$0</b>              | <b>\$0</b>                          | <b>\$0</b>         |
| 508.1         | Invested in Capital Assets, Net of Related Debt | \$0                        | \$2,609,375             | \$314,780                           | \$2,924,155        |
| 511           | <b>Total Reserved Fund Balance</b>              | <b>\$0</b>                 | <b>\$0</b>              | <b>\$0</b>                          | <b>\$0</b>         |
| 511.1         | Restricted Net Assets                           | \$0                        | \$0                     | \$0                                 | \$0                |
| 512.1         | Unrestricted Net Assets                         | \$3,552                    | \$141,724               | \$0                                 | \$145,276          |
| 513           | <b>Total Equity/Net Assets</b>                  | <b>\$3,552</b>             | <b>\$2,751,099</b>      | <b>\$314,780</b>                    | <b>\$3,069,431</b> |
| 600           | <b>Total Liabilities and Equity/Net Assets</b>  | <b>\$8,567</b>             | <b>\$2,796,915</b>      | <b>\$318,543</b>                    | <b>\$3,124,025</b> |

**PHA: LA105 FYED: 09/30/2004**

| Line Item No. | Account Description   | N/C S/R Section 8 Programs | Low Rent Public Housing | Public Housing Capital Fund Program | Total        |
|---------------|---|----------------------------|-------------------------|-------------------------------------|--------------|
| 111           | Cash - Unrestricted   | \$2,150                    | \$8,298                 | \$0                                 | \$10,448     |
| 100           | Total Cash  | \$2,150                    | \$8,298                 | \$0                                 | \$10,448     |
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| 125           | Accounts Receivable - Miscellaneous                         | \$0                        | \$1,518                 | \$0                                 | \$1,518      |
| 126.2         | Allowance for Doubtful Accounts - Other                     | \$0                        | \$0                     | \$0                                 | \$0          |
| 129           | Accrued Interest Receivable                                 | \$0                        | \$541                   | \$0                                 | \$541        |
| 120           | Total Receivables, net of allowances for doubtful accounts  | \$6,417                    | \$2,059                 | \$3,763                             | \$12,239     |
| 131           | Investments - Unrestricted                                  | \$0                        | \$144,392               | \$0                                 | \$144,392    |
| 135           | Investments - Restricted for Payment of Current Liabilities | \$0                        | \$10,418                | \$0                                 | \$10,418     |
| 142           | Prepaid Expenses and Other Assets                           | \$0                        | \$14,264                | \$0                                 | \$14,264     |
| 143           | Inventories   | \$0                        | \$1,500                 | \$0                                 | \$1,500      |
| 143.1         | Allowance for Obsolete Inventories                          | \$0                        | \$0                     | \$0                                 | \$0          |
| 144           | Interprogram Due From                                       | \$0                        | \$6,609                 | \$0                                 | \$6,609      |
| 150           | Total Current Assets  | \$8,567                    | \$187,540               | \$3,763                             | \$199,870    |
| 161           | Land  | \$0                        | \$32,150                | \$0                                 | \$32,150     |
| 162           | Buildings   | \$0                        | \$4,032,469             | \$0                                 | \$4,032,469  |
| 163           | Furniture, Equipment & Machinery - Dwellings                | \$0                        | \$37,602                | \$4,130                             | \$41,732     |
| 164           | Furniture, Equipment & Machinery - Administration           | \$0                        | \$36,935                | \$25,666                            | \$62,601     |
| 165           | Leasehold Improvements                                      | \$0                        | \$225,478               | \$0                                 | \$225,478    |
| 166           | Accumulated Depreciation                                    | \$0                        | \$-1,755,259            | \$-2,985                            | \$-1,758,244 |
| 167           | Construction In Progress                                    | \$0                        | \$0                     | \$287,969                           | \$287,969    |
| 160           | Total Fixed Assets, Net of Accumulated Depreciation         | \$0                        | \$2,609,375             | \$314,780                           | \$2,924,155  |
| 180           | Total Non-Current Assets                                    | \$0                        | \$2,609,375             | \$314,780                           | \$2,924,155  |
| 190           | Total Assets  | \$8,567                    | \$2,796,915             | \$318,543                           | \$3,124,025  |

**PHA: LA105 FYED: 09/30/2004**

| Line Item No. | Account Description                             | N/C S/R Section 8 Programs | Low Rent Public Housing | Public Housing Capital Fund Program | Total       |
|---------------|---|----------------------------|-------------------------|-------------------------------------|-------------|
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| 321           | Accrued Wage/Payroll Taxes Payable              | \$260                      | \$1,986                 | \$0                                 | \$2,246     |
| 322           | Accrued Compensated Absences - Current Portion  | \$0                        | \$4,485                 | \$0                                 | \$4,485     |
| 333           | Accounts Payable - Other Government             | \$0                        | \$8,459                 | \$0                                 | \$8,459     |
| 341           | Tenant Security Deposits                        | \$0                        | \$10,418                | \$0                                 | \$10,418    |
| 342           | Deferred Revenues                               | \$0                        | \$2                     | \$0                                 | \$2         |
| 347           | Interprogram Due To                             | \$2,846                    | \$0                     | \$3,763                             | \$6,609     |
| 310           | Total Current Liabilities                       | \$3,106                    | \$31,596                | \$3,763                             | \$38,465    |
| 354           | Accrued Compensated Absences - Non Current      | \$1,909                    | \$14,220                | \$0                                 | \$16,129    |
| 350           | Total Noncurrent Liabilities                    | \$1,909                    | \$14,220                | \$0                                 | \$16,129    |
| 300           | Total Liabilities                               | \$5,015                    | \$45,816                | \$3,763                             | \$54,594    |
| 508           | Total Contributed Capital                       | \$0                        | \$0                     | \$0                                 | \$0         |
| 508.1         | Invested in Capital Assets, Net of Related Debt | \$0                        | \$2,609,375             | \$314,780                           | \$2,924,155 |
| 511           | Total Reserved Fund Balance                     | \$0                        | \$0                     | \$0                                 | \$0         |
| 511.1         | Restricted Net Assets                           | \$0                        | \$0                     | \$0                                 | \$0         |
| 512.1         | Unrestricted Net Assets                         | \$3,552                    | \$141,724               | \$0                                 | \$145,276   |
| 513           | Total Equity/Net Assets                         | \$3,552                    | \$2,751,099             | \$314,780                           | \$3,069,431 |
| 600           | Total Liabilities and Equity/Net Assets         | \$8,567                    | \$2,796,915             | \$318,543                           | \$3,124,025 |